

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

UNITED STATES OF AMERICA,)
)
Plaintiff,) (18 U.S.C. § 1341)
) (18 U.S.C. § 1343)
v.) (18 U.S.C. § 1957)
) (18 U.S.C. § 982(a)(1))
1. RYAN DARYL KRUTZIG, and) (18 U.S.C. § 371)
)
2. JESSE SCOTT HOFFMAN,)
)
Defendants.)

INDICTMENT

CR 11-194 PAM/FLN

THE UNITED STATES GRAND JURY CHARGES THAT:

INTRODUCTION

1. At all relevant times to this Indictment, defendant RYAN DARYL KRUTZIG was a licensed real estate appraiser, licensed by the State of Minnesota, who owned and operated US Appraisal Management located in Maple Grove, Minnesota.
2. At all relevant times to this Indictment, defendant JESSE SCOTT HOFFMAN was a licensed real estate agent at Stellar Realty, licensed by the State of Minnesota.

COUNTS 1-9

(Mail and Wire Fraud)

3. From in or about 2005, and continuing through in or about 2007, in the State and District of Minnesota, the defendants,

RYAN DARYL KRUTZIG, and
JESSE SCOTT HOFFMAN,

along with others known and unknown to the grand jury, devised and intended to devise a scheme and artifice to defraud and to obtain money by means of material false or fraudulent

SCANNED

JUN 14 2011

U.S. DISTRICT COURT MPLS

FILED

JUN 14 2011

RICHARD D. SLETTEN, CLERK

JUDGMENT ENTERED

DEPUTY CLERK'S INITIALS

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pretenses, and aided and abetted one another and others in the commission of the scheme.

THE SCHEME

4. The defendants participated in a scheme whereby mortgage loan proceeds were obtained through fraud and concealed payments from such proceeds were diverted to buyers of real properties and other individuals, including the defendants.
5. Thomas Hunter and Frederick Deen, co-owners of Legacy Lending, a mortgage brokerage company licensed and regulated under the laws of the State of Minnesota, participated in the scheme.
6. Co-conspirators recruited individuals to act as "straw buyers" for real estate transactions in which mortgage loans were obtained for dollar amounts substantially in excess of the true purchase price, that is the amount the buyer agreed to pay the seller of a real property.
7. In numerous transactions, defendant HOFFMAN acted as the straw buyers' real estate agent, facilitating the real estate transactions which he knew were completed by fraud.
8. Deen, Hunter and others acting in concert with them, caused fraudulent loan application documentation to be provided to potential lenders for purposes of loan underwriting on behalf of the straw buyers. The fraudulent documentation misrepresented the true terms of the proposed transaction.

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Among other things, the documentation: (1) falsely identified the purchaser of the property; (2) falsely indicated that the property would be "owner occupied;" (3) misrepresented the borrower's employment, income and/or assets; (4) inflated the true purchase price of the property; (5) inflated the appraised value of the property; (6) failed to disclose to the lenders that funds in excess of the actual purchase price of the real property would be misappropriated by the co-conspirators; and/or (7) concealed payments that were to be made from the loan proceeds to buyers and others. These misrepresentations were material to mortgage lenders. Based on the fraudulent documentation, the proposed loans were approved and funded.

9. In some transactions, defendant KRUTZIG, as an appraiser, caused fraudulently inflated appraisals to be provided to potential lenders for purposes of loan underwriting. In addition to his regular appraisal fee, defendant KRUTZIG received concealed payments.
10. Defendant KRUTZIG also participated in the scheme as a buyer and seller of real properties, which were appraised by KRUTZIG's company. His ownership interest, however, was never disclosed to the lenders involved.

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11. After the loan was approved based on the fraudulent appraisals and underwriting packages, the lender would disburse loan proceeds to a title company. The proceeds were then disbursed in a manner other than what was understood by the lender. Namely, concealed payments were made to the buyer and other third parties, including the defendants.
12. In furtherance of the scheme, defendant KRUTZIG and other conspirators caused a sham corporation, Accelerated Services, to be created and to open a fraudulent business account in order to conceal from lenders the diversion of loan proceeds to parties in the real estate transaction, including defendant KRUTZIG.
13. In approximately twenty-eight separate real estate transactions in which the defendants were involved, there were approximately \$16 million in loan proceeds and \$1.8 million in diverted payments.

THE WIRES

14. On or about the dates set forth below, in the State and District of Minnesota, the defendants,

RYAN DARYL KRUTZIG, and
JESSE SCOTT HOFFMAN,

for the purpose of executing the above-described scheme and artifice, did knowingly cause to be transmitted in interstate

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commerce certain signs and signals by wire, namely wire transfers described below

Count	Date	Description of Interstate Wire	Residential Transaction Involved
1	8/31/2006	Electronic transfer of \$738,090.07 from Freemont Investment located outside of the State of Minnesota to Private Bank Minnesota located within the State of Minnesota	CJ purchase of XXX Saddle Ridge Drive, Rogers, MN
2	9/19/2006	Electronic transfer of \$477,161.99 from "Terwin Mortgage Warehouse Trust" located outside of the State of Minnesota to Private Bank Minnesota located within the State of Minnesota	CJ purchase of XXX 72nd Avenue North, Osseo, MN
3	7/14/2006	Electronic transfer of \$598,341.82 from Lending First Mortgage located outside of the State of Minnesota to Wells Fargo Bank located within the State of Minnesota	RL purchase of XXX Northrup Avenue, Tonka Bay, MN
4	8/16/2006	Electronic transfer of \$599,598.01 from Countrywide Home Loans located outside of the State of Minnesota to Wells Fargo Bank located within the State of Minnesota	RL purchase of XXX 42nd Street SE, Clear Lake, MN

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Count	Date	Description of Interstate Wire	Residential Transaction Involved
5	8/18/2006	Electronic transfer of \$587,160.80 from Deutsche Bank Trust Company located outside of the State of Minnesota to Wells Fargo Bank located within the State of Minnesota	RL purchase of XXX Ranier Lane North, Maple Grove, MN

All in violation of Title 18, United States Code, Section 1343.

THE MAILINGS

15. On or about the dates set forth below, for the purpose of executing the above-described scheme and artifice, the defendants,

RYAN DARYL KRUTZIG,

did place or cause to be sent and delivered by private or commercial carrier, according to the directions thereon, the matters or things identified below as follows:

Count	Date	Carrier	Description
6	6/29/2006	UPS	First USA Title check #22740 in the amount of \$94,852.17 payable to GMAC Mortgage Corporation to pay off first mortgage for property located at 3646 Bryant Avenue North, Minneapolis, MN

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Count	Date	Carrier	Description
7	6/29/2006	UPS	First USA Title check #22741 in the amount of \$24,030.10 payable to Countrywide Home Loans Servicing LP to pay off second mortgage for property located at 3646 Bryant Avenue North, Minneapolis, MN
8	10/18/2006	UPS	All Metro Title check #17388 in the amount of \$30,000.00 payable to Accelerate Services re: sale of property located at XXXX Kagan Ave. NE, Ostego, MN
9	4/3/2007	AM Express	Timberland Mortgage check #6280 in the amount of \$208,998.58 payable to Signature Title

All in violation of Title 18, United States Code, Section 1341.

COUNTS 10-11
(Money Laundering)

16. The Grand Jury realleges and incorporates paragraphs 1 through 13 of this Indictment.
17. On or about the dates set forth below, in the State and District of Minnesota, the defendant,

RYAN DARYL KRUTZIG,

did knowingly engage and attempt to engage in a monetary transaction by, through, or to a financial institution, affecting interstate commerce, in criminally derived property

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of a value greater than \$10,000, namely wire transfers described below:

Count	Date	Description
10	10/19/2006	\$11,000.00 check from Accelerated Services deposited into the account of US Appraisal Management at TCF Bank
11	7/3/2006	\$14,716.00 Klein Bank Cashier's check deposited into KRUTZIG's personal account at TCF Bank

and, using proceeds derived from a specified unlawful activity set forth above; all in violation of Title 18, United States Code, Section 1957.

FORFEITURE ALLEGATIONS

18. The Grand Jury realleges and incorporates paragraphs 1 through 13 of the Indictment, and makes it a part of these forfeiture allegations.
19. As the result of the offenses alleged in Counts 1 through 9 of this Indictment, the defendants RYAN DARYL KRUTZIG and/or JESSE SCOTT HOFFMAN, shall forfeit to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), all his right, title and interest in any property constituting, or derived from, proceeds traceable to the violations of Title 18, United States Code, Sections 1341 and 1343.

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20. As a result of the offenses alleged in Counts 10 and 11 of the Indictment, the defendant RYAN DARYL KRUTZIG shall forfeit to the United States pursuant to Title 18, United States Code, Section 982(a)(1), all his right, title and interest in all property, real and personal, involved in said money laundering violations and in all property traceable to such property, including the sum of money involved in each of Counts 10 and 11.

21. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

- (1) cannot be located upon the exercise of due diligence;
- (2) has been transferred or sold to, or deposited with, a third person;
- (3) has been placed beyond the jurisdiction of the Court;
- (4) has been substantially diminished in value; or
- (5) has been commingled with other property which cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1) and by Title 28, United States Code, Section 2461(c), to seek forfeiture of any other property of said defendant up to the value of the above forfeitable property.

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All in violation of Title 18, United States Code, Sections 981(a)(1)(C), 982(a)(1), 1341, 1343, 1957 and Title 28, United States Code, Section 2461(c).

A TRUE BILL

UNITED STATES ATTORNEY

FOREPERSON